



City of San Diego

**CARL DEMAIO**  
CITY COUNCILMEMBER – DISTRICT 5

**MARTI EMERALD**  
CITY COUNCILMEMBER – DISTRICT 7

## MEMORANDUM

DATE: May 13, 2010

TO: Eduardo Luna, City Auditor  
Audit Committee Members  
Honorable Mayor and City Council

FROM: Councilmember Marti Emerald  
Councilmember Carl DeMaio

RE: Recovery Auditing of City Contract Payments and Accounts Payables

---

As the City Auditor prepares the Audit Work Plan for FY 2011, we respectfully request the inclusion of a performance audit on City Contract Payments and Accounts Receivables.

As the City continues to address its structural budget deficit, the strategic use of audits has uncovered numerous areas of opportunity for increasing efficiency and recovering revenues in city operations.

We appreciate your recent "Revenues Audit" – and would like to suggest an examination of the other end of the city's financial ledger – Accounts Payable.

The FY 2010 proposed budget included approximately \$1.6 billion in Supplies and Services citywide, with \$182.6 million in contracts budgeted in the General Fund alone. This year, the proposed FY 2011 budget includes \$161.4 million in General Fund contracts.<sup>1</sup>

---

<sup>1</sup> See IBA reports 09-37 and 10-37.

Government entities across the country have used "Recovery Audits" to examine contract payments and other forms of accounts payable to reduce improper or erroneous payments, and more importantly, identify needed improvements in internal controls or organizational processes that cause the improper payments.

Such an audit could encompass, but not be limited to, examining the following:

- Identify the city's largest accounts payable categories and identify those which are likely to yield the greatest return through recovery auditing.
- Sample contracts in each major accounts payable category to determine whether errors have been made and whether funds could be recovered.
- Recommend options for implementing on-going recovery audits in major categories of city contracts and payments

We appreciate your consideration of this request, and look forward to working with you to craft the scope of the performance audit.